

MAR 05 2012

SECRETARY, BOARD OF  
OIL, GAS & MINING**BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF COASTAL OIL & GAS CORPORATION FOR AN ORDER SUSPENDING R649-2-3 AND ANY AND ALL EXISTING ORDERS AFFECTING SPACING AND WELL SITING AND LOCATION INsofar AS THEY APPLY TO THE NATURAL BUTTES UNIT AREA LOCATED IN TOWNSHIPS 9 & 10 SOUTH, RANGES 20, 21, & 22 EAST, S.L.M. UINTAH COUNTY, UTAH

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF KERR-MCGEE OIL & GAS ONSHORE LP FOR AN ORDER MODIFYING UTAH ADMIN. CODE RULES R649-3-2, R649-3-10 AND R649-3-11(1) AND (2) TO PROVIDE FOR THE DRILLING OF WELLS TO ACHIEVE THE EQUIVALENT OF AN APPROXIMATE 10-ACRE WELL DENSITY PATTERN FOR THE PRODUCTION OF GAS AND ASSOCIATED OIL AND HYDROCARBONS FROM THE WASATCH FORMATION AND MESAVERDE GROUP UPON THE UNCOMMITTED TRACTS OF THE NATURAL BUTTES FEDERAL UNIT COMPRISED OF PORTIONS OF SECTIONS 23-25 AND 36 OF TOWNSHIP 9 SOUTH, RANGE 20 EAST, SLM, PORTIONS OF SECTION 32 AND ALL OF SECTION 36, TOWNSHIP 9 SOUTH, RANGE 21 EAST, SLM, PORTIONS OF SECTIONS 23 AND 24, TOWNSHIP 10 SOUTH, RANGE 21 EAST, SLM, AND ALLOTMENT NO. 16 IN SECTIONS 2 AND 11 AND PORTIONS OF SECTION 15, TOWNSHIP 10 SOUTH, RANGE 22 EAST, SLM, UINTAH COUNTY, UTAH

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF KERR-MCGEE OIL & GAS ONSHORE LP FOR AN ORDER SUSPENDING APPLICATION OF THE BOARD'S ORDERS IN CAUSE NOS. 173-24 AND 210-05 AND UTAH ADMIN. CODE RULES R649-3-2, R649-3-10 AND R649-3-11 (1) AND (2) INsofar AS THEY PERTAIN TO LANDS WITHIN THE 2011 EXPANSION OF THE NATURAL BUTTES FEDERAL EXPLORATORY UNIT, COVERING PORTIONS OF TOWNSHIPS 9 SOUTH, RANGE 20 EAST, AND 10 SOUTH, RANGES 20 THROUGH 22 EAST, SLM, UINTAH COUNTY, UTAH

***EX PARTE* MOTION FOR  
BOARD NOTICE AND MOTION  
FOR CONSOLIDATED  
CLARIFICATION ORDER****Docket No. 99-008****Cause No. 173-14****Docket No. 2009-012****Cause No. 173-24****Docket No. 2011-015****Cause No. 173-25**

Pursuant to Utah Admin. Code Rule R641-105-300, Kerr-McGee Oil & Gas Onshore LP (“KMG”), by and through its counsel of record, Beatty & Wozniak, P.C., hereby respectfully requests *ex parte* the Board of Oil, Gas and Mining (the “Board”) to issue a notice regarding entry of a Consolidated Clarification Order modifying its Consolidated Order entered on December 2, 1999 in Cause No. 173-14 (the “173-14 Order”), and its Orders entered on October 5, 2009 in Cause No. 173-24 (the “173-24 Order”) and on January 4, 2012 in Cause No. 173-25 (the “173-25 Order”) to clarify that: (1) all formations between the base of the Green River Formation and the top of the Mancos Shale are unitized under the terms of the Natural Buttes Unit Agreement approved effective January 5, 1968; (2) the Blackhawk Formation is within the Mesaverde Group; and (3) that the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale, all in accordance with that certain Decision Letter dated February 28, 2012 issued by the Utah State Office of the Bureau of Land Management attached hereto as “Exhibit “A” and by this reference incorporated herein (the “Decision Letter”). KMG requests the Board to provide notice to interested parties (a list of whom KMG will concurrently provide to the Board’s secretary) of the Board’s intent to enter such order after thirty (30) days from the date of such notice. The proposed Notice is attached hereto as Exhibit “B” and by this reference incorporated herein. KMG notes that the requested Order is merely to conform said previous Orders to the Decision Letter and is for clarification purposes only.

The Decision Letter is self-explanatory and outlines and provides the justification for this Motion. As expressly stated in the Decision Letter, [the Orders entered in] “Causes 173-25, 173-24 and 173-14 will need to be modified to conform to the Decision Letter.” This Motion is made by KMG, as Operator of the Natural Buttes Unit and of the remaining lands subject to said

Orders, to comply with such directive. KMG avers and represents to the Board that the requested Order will have no impact upon revenue distribution to the production interest owners in the lands covered by said previous Orders.

Consequently, KMG respectfully requests the Board to enter a Consolidated Clarification Order modifying the 179-14, 179-24 and 179-25 Orders in the following particulars:

1. Findings of Fact No. 7 of the 173-14 Order:

- The word "Formation" be inserted after the word "Wasatch" and the word "Group" be substituted for the word "formations" appearing after the word "Mesaverde"; and
- The word "Shale" be substituted for the word "formation" at the end of the sentence.

2. Findings of Fact No. 9 of the 173-14 Order:

- In the second sentence, the word "Shale" be substituted for the word "formation" appearing after the word "Mancos";
- The following be added after the word "Shale" is inserted: ". The top of the Mancos Formation is"; and
- The following sentence be inserted after the second sentence:

The Blackhawk Formation is within the Mesaverde Group, and the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale.

3. Findings of Fact No. 5 of the 173-24 Order:

- The word "Shale" be substituted for the word "formation" appearing after the word "Mancos", and the rest of the indented portion appearing thereafter deleted; and
- The following sentences be substituted for the parenthetical appearing at the end of the sentence:

The Blackhawk Formation is within the Mesaverde Group, and the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale. The

depths between the base of the Green River Formation and the top of the Mancos Shale are hereinafter collectively referred to as the "Subject Formations."

4. Findings of Fact No. 4 of the 173-25 Order:

- The word "Shale" be substituted for the word "formation" appearing after the word "Mancos"; and
- The following sentences be substituted for the parenthetical:

The Blackhawk Formation is within the Mesaverde Group, and the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale. The depths between the base of the Green River Formation and the top of the Mancos Shale are hereinafter collectively referred to as the "NBU Formations"; and

5. Findings of Fact No. 17 of the 173-25 Order:

- The word "NBU" be substituted for the words "Wasatch and Mesaverde" and the letter "F" be capitalized in the word "formation".

A proposed Consolidated Clarification Order to this effect is attached hereto as Exhibit "C" and by this reference incorporated herein.

Respectfully submitted this 5th day of March, 2012.

**BEATTY & WOZNIAK, P.C.**

By: 

Frederick M. MacDonald  
7440 South Creek Road, Suite 300  
Sandy, UT 84093  
Telephone: (801) 566-8446  
E-Mail: FMacDonald@bwenenergylaw.com

Attorneys for Kerr-McGee Oil and Gas  
Onshore, LP

2031.0110  
224103



# United States Department of the Interior



## BUREAU OF LAND MANAGEMENT

Utah State Office  
P.O. Box 45155  
Salt Lake City, UT 84145-0155  
<http://www.blm.gov/ut/st/en.html>

Docket No. 2011-015 Cause No. 173-25  
Docket No. 2009-012 Cause No. 173-24  
Docket No. 1999-008 Cause No. 173-14

IN REPLY REFER TO:  
3160 – UTU63047X  
(UT-922100)

**FEB 28 2012**

**RECEIVED**

**FEB 29 2012**

CERTIFIED MAIL—7011 1150 0000 6739 5572  
Return Receipt Requested

DIV. OF OIL, GAS & MINING

Mr. Thomas Marranzino  
Kerr-McGee Oil & Gas Onshore, LP  
1099 18<sup>th</sup> Street, Suite 1800  
Denver, CO 80202-1918

**FILED**

**FEB 29 2012**

SECRETARY, BOARD OF  
OIL, GAS & MINING

### DECISION

Re: Natural Buttes Unit, Uintah County, Utah

Dear Mr. Marranzino:

This decision is issued in response to Kerr-McGee Oil & Gas Onshore, LP (Kerr-McGee)'s letter dated February 14, 2012, requesting that the Bureau of Land Management (BLM) confirm that all formations within the Mesaverde Group, including the Blackhawk Formation, are unitized under the terms of the Natural Buttes Unit Agreement, approved effective January 5, 1968.

Section 3 of the unit agreement states:

All land committed to this Agreement shall constitute land referred to herein as "unitized land" or "land subject to this Agreement". All oil and gas in any and all formations between the base of the Green River Formation and the top of the Mancos Formation of the unitized land are unitized under the terms of this Agreement and herein are called "unitized substances". All oil and gas in any and all formations above the base of the Green River Formation are not unitized and are not subject to any of the terms of this Agreement; and all oil and gas in any and all formations below the top of the Mancos Formation are not unitized and are not subject to any of the terms of this Agreement. For the purposes of this Agreement, the base of the Green River Formation is defined as the stratigraphic equivalent of the correlation point established at the depth of 4,822 feet below K.B. (Kelly Bushing) in the Ute Trail #10 well drilled by DeKalb Petroleum Company in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 34 in Township 9 South, Range 21 East, SLM, Uintah County, Utah. For the purpose of this Agreement, the top of the Mancos Formation is defined as the stratigraphic equivalent of the correlation point established at the depth of 9,732 feet below K.B. (Kelly Bushing) in the

**EXHIBIT A**

Chapita Well Unit #5 well drilled by Belco Petroleum Corporation in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 22 in Township 9 South, Range 22 East, SLM, Uintah County, Utah.

The correlation point utilized for the top of the Mancos Formation has been a source of confusion leading to Kerr-McGee's request for this clarification. The correlation point in one well does not correctly describe the top of the Mancos Formation throughout the entire Natural Buttes Unit Area as lower Mesaverde Group sandstones intertwine with the upper part of the Mancos Shale.

A memorandum dated January 15, 1968, from the Chief of the Conservation Division of the United States Geologic Survey (USGS) recommending approval of the unit agreement provides that "all formations between the base of the Green River Formation and the top of the Mancos Formation are unitized." Kerr-McGee provided the BLM with an affidavit executed on September 8, 2008, by Gilman A. Hill, the original unit proponent. In paragraph 7, Mr. Hill states that he interpreted the logs of the correlation point well as reflecting there were no additional sands below the stated depth and therefore said that point was representative of the top of the Mancos Shale, the intended floor of the unitized formations. He further states that his interpretation was based on the best data available at that time. In paragraph 8 of the affidavit, Mr. Hill states that, based on review of data obtained in the interim, the geology of the Natural Buttes area clearly is more complex than was known at the time of unit designation.

The BLM acknowledges that all formations from the base of the Green River Formation to the top of the Mancos Shale are unitized under Section 3 of the Natural Buttes Unit Agreement. The BLM also confirms that the Blackhawk Formation is within the Mesaverde Group, and that the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale.

We have contacted the Utah Division of Oil, Gas and Mining. Causes 173-25, 173-24 and 173-14 will need to be modified to conform to this decision letter.

You have the right to request a State Director Review of this decision as specified in 43 CFR 3165.3. Such request, including all supporting documentation, must be filed in writing within twenty (20) business days of this notice to the State Director (UT-910), Bureau of Land Management, P.O. Box 45155, Salt Lake City, UT 84145-0155. As stated in the regulations at 43 CFR 3165.3(e), a request for State Director Review does not automatically suspend the decision.

Sincerely,



Roger L. Bankert,  
Chief, Branch of Minerals

cc: UDOGM (John Rogers)  
Utah Board of Oil, Gas and Mining

**BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF COASTAL OIL & GAS CORPORATION FOR AN ORDER SUSPENDING R649-2-3 AND ANY AND ALL EXISTING ORDERS AFFECTING SPACING AND WELL SITING AND LOCATION INsofar AS THEY APPLY TO THE NATURAL BUTTES UNIT AREA LOCATED IN TOWNSHIPS 9 & 10 SOUTH, RANGES 20, 21, & 22 EAST, S.L.M. UINTAH COUNTY, UTAH

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF KERR-MCGEE OIL & GAS ONSHORE LP FOR AN ORDER MODIFYING UTAH ADMIN. CODE RULES R649-3-2, R649-3-10 AND R649-3-11(1) AND (2) TO PROVIDE FOR THE DRILLING OF WELLS TO ACHIEVE THE EQUIVALENT OF AN APPROXIMATE 10-ACRE WELL DENSITY PATTERN FOR THE PRODUCTION OF GAS AND ASSOCIATED OIL AND HYDROCARBONS FROM THE WASATCH FORMATION AND MESAVERDE GROUP UPON THE UNCOMMITTED TRACTS OF THE NATURAL BUTTES FEDERAL UNIT COMPRISED OF PORTIONS OF SECTIONS 23-25 AND 36 OF TOWNSHIP 9 SOUTH, RANGE 20 EAST, SLM, PORTIONS OF SECTION 32 AND ALL OF SECTION 36, TOWNSHIP 9 SOUTH, RANGE 21 EAST, SLM, PORTIONS OF SECTIONS 23 AND 24, TOWNSHIP 10 SOUTH, RANGE 21 EAST, SLM, AND ALLOTMENT NO. 16 IN SECTIONS 2 AND 11 AND PORTIONS OF SECTION 15, TOWNSHIP 10 SOUTH, RANGE 22 EAST, SLM, UINTAH COUNTY, UTAH

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF KERR-MCGEE OIL & GAS ONSHORE LP FOR AN ORDER SUSPENDING APPLICATION OF THE BOARD'S ORDERS IN CAUSE NOS. 173-24 AND 210-05 AND UTAH ADMIN. CODE RULES R649-3-2, R649-3-10 AND R649-3-11 (1) AND (2) INsofar AS THEY PERTAIN TO LANDS WITHIN THE 2011 EXPANSION OF THE NATURAL BUTTES FEDERAL EXPLORATORY UNIT, COVERING PORTIONS OF TOWNSHIPS 9 SOUTH, RANGE 20 EAST, AND 10 SOUTH, RANGES 20 THROUGH 22 EAST, SLM, UINTAH COUNTY, UTAH

**NOTICE OF INTENT TO  
ISSUE CONSOLIDATED  
CLARIFICATION ORDER**

**Docket No. 99-008**

**Cause No. 173-14**

**Docket No. 2009-012**

**Cause No. 173-24**

**Docket No. 2011-015**

**Cause No. 173-25**

**TO ALL INTERESTED PARTIES:**

The Utah Board of Oil, Gas and Mining (the "Board") hereby gives notice of its intent to issue the proposed Consolidated Clarification Order attached hereto as Exhibit "A" and by this reference incorporated herein in the captioned causes after thirty (30) days from the date of this Notice. The Order is being issued in accordance with the request made in that certain Decision Letter dated February 28, 2012 issued by the Utah State Office of the Bureau of Land Management, a copy of which is attached hereto as Exhibit "B" and by this reference incorporated herein, and is for the limited purpose of incorporating conforming clarifications concerning the unitized formations under the Natural Buttes Unit Agreement approved effective January 5, 1968. Kerr-McGee Oil & Gas Onshore LP, Operator of the Natural Buttes Unit and the other lands covered by the Order in Cause No. 173-24, has represented to the Board that the proposed Order will have no impact upon revenue distribution to the production interest owners in said lands.

Should any party desire to be heard by the Board concerning the proposed Order, he/she/it must file in writing with the Board's secretary (1594 West North Temple, Suite 1210, Salt Lake City, Utah 84116) notice of such desire, outlining with specificity the reason or reasons why such hearing should be held, and otherwise in accordance with the Board's procedural rules (Utah Admin. Code Rules R641-100 *et seq.*), within twenty (20) days of the date of this Notice.

Dated this \_\_\_\_\_ day of March, 2012.

**STATE OF UTAH  
BOARD OF OIL, GAS AND MINING**

By: \_\_\_\_\_  
James T. Jensen, Chairman



**BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH**

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IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF COASTAL OIL & GAS CORPORATION FOR AN ORDER SUSPENDING R649-2-3 AND ANY AND ALL EXISTING ORDERS AFFECTING SPACING AND WELL SITING AND LOCATION INSOFAR AS THEY APPLY TO THE NATURAL BUTTES UNIT AREA LOCATED IN TOWNSHIPS 9 & 10 SOUTH, RANGES 20, 21, & 22 EAST, S.L.M. UINTAH COUNTY, UTAH

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IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF KERR-MCGEE OIL & GAS ONSHORE LP FOR AN ORDER MODIFYING UTAH ADMIN. CODE RULES R649-3-2, R649-3-10 AND R649-3-11(1) AND (2) TO PROVIDE FOR THE DRILLING OF WELLS TO ACHIEVE THE EQUIVALENT OF AN APPROXIMATE 10-ACRE WELL DENSITY PATTERN FOR THE PRODUCTION OF GAS AND ASSOCIATED OIL AND HYDROCARBONS FROM THE WASATCH FORMATION AND MESAVERDE GROUP UPON THE UNCOMMITTED TRACTS OF THE NATURAL BUTTES FEDERAL UNIT COMPRISED OF PORTIONS OF SECTIONS 23-25 AND 36 OF TOWNSHIP 9 SOUTH, RANGE 20 EAST, SLM, PORTIONS OF SECTION 32 AND ALL OF SECTION 36, TOWNSHIP 9 SOUTH, RANGE 21 EAST, SLM, PORTIONS OF SECTIONS 23 AND 24, TOWNSHIP 10 SOUTH, RANGE 21 EAST, SLM, AND ALLOTMENT NO. 16 IN SECTIONS 2 AND 11 AND PORTIONS OF SECTION 15, TOWNSHIP 10 SOUTH, RANGE 22 EAST, SLM, UINTAH COUNTY, UTAH

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IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF KERR-MCGEE OIL & GAS ONSHORE LP FOR AN ORDER SUSPENDING APPLICATION OF THE BOARD'S ORDERS IN CAUSE NOS. 173-24 AND 210-05 AND UTAH ADMIN. CODE RULES R649-3-2, R649-3-10 AND R649-3-11 (1) AND (2) INSOFAR AS THEY PERTAIN TO LANDS WITHIN THE 2011 EXPANSION OF THE NATURAL BUTTES FEDERAL EXPLORATORY UNIT, COVERING PORTIONS OF TOWNSHIPS 9 SOUTH, RANGE 20 EAST, AND 10 SOUTH, RANGES 20 THROUGH 22 EAST, SLM, UINTAH COUNTY, UTAH

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**CONSOLIDATED CLARIFICATION  
ORDER**

**Docket No. 99-008**

**Cause No. 173-14**

**Docket No. 2009-012**

**Cause No. 173-24**

**Docket No. 2011-015**

**Cause No. 173-25**

The Board of Oil, Gas and Mining (the "Board"), having fully considered Kerr-McGee Oil & Gas Onshore LP's *Ex Parte* Motion for Board Notice and Motion for Consolidated Clarification Order dated March 5, 2012, having provided an opportunity for response by interested parties and hearing, but having timely received none, finding good cause therefor, and in accordance with the request of the Utah State Office of the Bureau of Land Management in its February 28, 2012 Decision Letter, hereby orders as follows:

A. The Board's Consolidated Order entered on December 2, 1999 in Cause No. 173-14 is hereby modified as follows:

(i) Findings of Fact No. 7 is modified to read as follows:

7. The Natural Buttes Unit is a federal exploratory unit administered by the BLM and unitizes the zones and intervals comprising the Wasatch Formation and Mesaverde Group, generally described as being from the base of the Green River Formation down to the top of the Mancos Shale.

(ii) Findings of Fact No. 9 is modified to read as follows:

9. The top of the Mancos formation is identified in the Natural Buttes Unit Agreement as:

[T]he stratigraphic equivalent of the correlation point established at the depth of 9,732 feet below K.B. (Kelly Bushing) in the Chapita Wells Unit #5 Well drilled by Belco Petroleum Corporation in the NE¼SW¼ of Section 22 in Township 9 South, Range 22, East, SLM, Uintah County, Utah.

The interval from the base of the Green River Formation down to the top of the Mancos Shale in the Unit Lands is referred to as the "**Unitized Interval**." The Blackhawk Formation is within the Mesaverde Group, and the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale. The Unitized Interval is a commonly occurring

occurring section known throughout the Uintah Basin as a source of natural gas produced from channel sandstones.

B. Findings of Fact No. 5 of the Board's Order entered on October 5, 2009 in Cause No. 173-24 is hereby modified to read as follows:

5. The NBU was approved effective January 5, 1968 and unitized all oil and gas from the base of the Green River Formation, defined in the governing Unit Agreement as follows:

[T]he stratigraphic equivalent of the correlation point established at the depth of 4,822 feet below K.B. (Kelly Bushing) in the Ute Trail #10 Well drilled by DeKalb Petroleum Company in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 34 in Township 9 South, Range 21 East, SLM, Uintah County, Utah[,]

to the top of the Mancos Shale. The top of the Mancos Formation is defined in the governing Unit Agreement as follows:

[T]he stratigraphic equivalent of the correlation point established at the depth of 9,732 feet below K.B. (Kelly Bushing) in the Chapita Wells Unit #5 Well drilled by Belco Petroleum Corporation in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 22 in Township 9 South, Range 22 East, SLM, Uintah County, Utah.

The Blackhawk Formation is within the Mesaverde Group, and the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale. The depths between the base of the Green River Formation and the top of the Mancos Shale are hereinafter collectively referred to as the "Subject Formations."

C. The Board's Order entered in January 4, 2012 in Cause No. 173-25 is hereby modified as follows:

(i) Findings of Fact No. 4 is hereby modified to read as follows:

4. By Order entered in Cause No. 173-24 on October 5, 2009 (the "173-24 Order"), the Board modified the general well siting rule (Utah Admin. Code Rule R649-3-2) and the directional drilling rules (Utah Admin Code. Rules R649-3-10 and 11(1) and (2)) to provide for the drilling of wells to achieve the equivalent of an approximate 10-acre well density pattern for the production of gas and associated hydrocarbons from the Wasatch Formation and the Mesaverde Group, defined in said Order as:

The base of the Green River Formation, defined as the stratigraphic equivalent of the correlation point established at the depth of 4,822 feet below K.B. (Kelly Bushing) in the Ute Trail #10 Well drilled by DeKalb Petroleum Company in the NE¼SW¼ of Section 34 in Township 9 South, Range 21 East, SLM, Uintah County, Utah, to the top of the Mancos Shale.

The Blackhawk Formation is within the Mesaverde Group, and the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale. The depths between the base of the Green River Formation and the top of the Mancos Shale are hereinafter collectively referred to as the "NBU Formations."

(ii) Findings of Fact No. 17 is hereby modified to read as follows:

17. There is likelihood that, if development of the NBU as expanded does not occur on an approximate 10-acre well density pattern as to the discontinuous sand bodies, particularly as to the NBU Formations, valuable resources will not be recovered.

For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2012.

**STATE OF UTAH  
BOARD OF OIL, GAS AND MINING**

By: \_\_\_\_\_  
James T. Jensen, Chairman

2031.0110  
224174



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Utah State Office

P.O. Box 45155

Salt Lake City, UT 84145-0155

<http://www.blm.gov/ut/st/en.html>



Docket No. 2011-015 Cause No. 173-25

Docket No. 2009-012 Cause No. 173-24

Docket No. 1999-008 Cause No. 173-14

IN REPLY REFER TO:

3160 – UTU63047X

(UT-922100)

FEB 28 2012

RECEIVED

FEB 29 2012

CERTIFIED MAIL—7011 1150 0000 6739 5572

Return Receipt Requested

DIV. OF OIL, GAS & MINING

Mr. Thomas Marranzino  
Kerr-McGee Oil & Gas Onshore, LP  
1099 18<sup>th</sup> Street, Suite 1800  
Denver, CO 80202-1918

FILED

FEB 29 2012

SECRETARY, BOARD OF  
OIL, GAS & MINING

### DECISION

Re: Natural Buttes Unit, Uintah County, Utah

Dear Mr. Marranzino:

This decision is issued in response to Kerr-McGee Oil & Gas Onshore, LP (Kerr-McGee)'s letter dated February 14, 2012, requesting that the Bureau of Land Management (BLM) confirm that all formations within the Mesaverde Group, including the Blackhawk Formation, are unitized under the terms of the Natural Buttes Unit Agreement, approved effective January 5, 1968.

Section 3 of the unit agreement states:

All land committed to this Agreement shall constitute land referred to herein as "unitized land" or "land subject to this Agreement". All oil and gas in any and all formations between the base of the Green River Formation and the top of the Mancos Formation of the unitized land are unitized under the terms of this Agreement and herein are called "unitized substances". All oil and gas in any and all formations above the base of the Green River Formation are not unitized and are not subject to any of the terms of this Agreement; and all oil and gas in any and all formations below the top of the Mancos Formation are not unitized and are not subject to any of the terms of this Agreement. For the purposes of this Agreement, the base of the Green River Formation is defined as the stratigraphic equivalent of the correlation point established at the depth of 4,822 feet below K.B. (Kelly Bushing) in the Ute Trail #10 well drilled by DeKalb Petroleum Company in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 34 in Township 9 South, Range 21 East, SLM, Uintah County, Utah. For the purpose of this Agreement, the top of the Mancos Formation is defined as the stratigraphic equivalent of the correlation point established at the depth of 9,732 feet below K.B. (Kelly Bushing) in the

**EXHIBIT B**

Chapita Well Unit #5 well drilled by Belco Petroleum Corporation in the NE¼SW¼ of Section 22 in Township 9 South, Range 22 East, SLM, Uintah County, Utah.

The correlation point utilized for the top of the Mancos Formation has been a source of confusion leading to Kerr-McGee's request for this clarification. The correlation point in one well does not correctly describe the top of the Mancos Formation throughout the entire Natural Buttes Unit Area as lower Mesaverde Group sandstones intertwine with the upper part of the Mancos Shale.

A memorandum dated January 15, 1968, from the Chief of the Conservation Division of the United States Geologic Survey (USGS) recommending approval of the unit agreement provides that "all formations between the base of the Green River Formation and the top of the Mancos Formation are unitized." Kerr-McGee provided the BLM with an affidavit executed on September 8, 2008, by Gilman A. Hill, the original unit proponent. In paragraph 7, Mr. Hill states that he interpreted the logs of the correlation point well as reflecting there were no additional sands below the stated depth and therefore said that point was representative of the top of the Mancos Shale, the intended floor of the unitized formations. He further states that his interpretation was based on the best data available at that time. In paragraph 8 of the affidavit, Mr. Hill states that, based on review of data obtained in the interim, the geology of the Natural Buttes area clearly is more complex than was known at the time of unit designation.

The BLM acknowledges that all formations from the base of the Green River Formation to the top of the Mancos Shale are unitized under Section 3 of the Natural Buttes Unit Agreement. The BLM also confirms that the Blackhawk Formation is within the Mesaverde Group, and that the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale.

We have contacted the Utah Division of Oil, Gas and Mining. Causes 173-25, 173-24 and 173-14 will need to be modified to conform to this decision letter.

You have the right to request a State Director Review of this decision as specified in 43 CFR 3165.3. Such request, including all supporting documentation, must be filed in writing within twenty (20) business days of this notice to the State Director (UT-910), Bureau of Land Management, P.O. Box 45155, Salt Lake City, UT 84145-0155. As stated in the regulations at 43 CFR 3165.3(e), a request for State Director Review does not automatically suspend the decision.

Sincerely,



Roger L. Bankert,  
Chief, Branch of Minerals

cc: UDOGM (John Rogers)  
Utah Board of Oil, Gas and Mining

**BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF COASTAL OIL & GAS CORPORATION FOR AN ORDER SUSPENDING R649-2-3 AND ANY AND ALL EXISTING ORDERS AFFECTING SPACING AND WELL SITING AND LOCATION INSOFAR AS THEY APPLY TO THE NATURAL BUTTES UNIT AREA LOCATED IN TOWNSHIPS 9 & 10 SOUTH, RANGES 20, 21, & 22 EAST, S.L.M. UINTAH COUNTY, UTAH

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF KERR-MCGEE OIL & GAS ONSHORE LP FOR AN ORDER MODIFYING UTAH ADMIN. CODE RULES R649-3-2, R649-3-10 AND R649-3-11(1) AND (2) TO PROVIDE FOR THE DRILLING OF WELLS TO ACHIEVE THE EQUIVALENT OF AN APPROXIMATE 10-ACRE WELL DENSITY PATTERN FOR THE PRODUCTION OF GAS AND ASSOCIATED OIL AND HYDROCARBONS FROM THE WASATCH FORMATION AND MESAVERDE GROUP UPON THE UNCOMMITTED TRACTS OF THE NATURAL BUTTES FEDERAL UNIT COMPRISED OF PORTIONS OF SECTIONS 23-25 AND 36 OF TOWNSHIP 9 SOUTH, RANGE 20 EAST, SLM, PORTIONS OF SECTION 32 AND ALL OF SECTION 36, TOWNSHIP 9 SOUTH, RANGE 21 EAST, SLM, PORTIONS OF SECTIONS 23 AND 24, TOWNSHIP 10 SOUTH, RANGE 21 EAST, SLM, AND ALLOTMENT NO. 16 IN SECTIONS 2 AND 11 AND PORTIONS OF SECTION 15, TOWNSHIP 10 SOUTH, RANGE 22 EAST, SLM, UINTAH COUNTY, UTAH

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF KERR-MCGEE OIL & GAS ONSHORE LP FOR AN ORDER SUSPENDING APPLICATION OF THE BOARD'S ORDERS IN CAUSE NOS. 173-24 AND 210-05 AND UTAH ADMIN. CODE RULES R649-3-2, R649-3-10 AND R649-3-11 (1) AND (2) INSOFAR AS THEY PERTAIN TO LANDS WITHIN THE 2011 EXPANSION OF THE NATURAL BUTTES FEDERAL EXPLORATORY UNIT, COVERING PORTIONS OF TOWNSHIPS 9 SOUTH, RANGE 20 EAST, AND 10 SOUTH, RANGES 20 THROUGH 22 EAST, SLM, UINTAH COUNTY, UTAH

**CONSOLIDATED CLARIFICATION  
ORDER**

**Docket No. 99-008**

**Cause No. 173-14**

**Docket No. 2009-012**

**Cause No. 173-24**

**Docket No. 2011-015**

**Cause No. 173-25**



The Board of Oil, Gas and Mining (the "Board"), having fully considered Kerr-McGee Oil & Gas Onshore LP's *Ex Parte* Motion for Board Notice and Motion for Consolidated Clarification Order dated March 5, 2012, having provided an opportunity for response by interested parties and hearing, but having timely received none, finding good cause therefor, and in accordance with the request of the Utah State Office of the Bureau of Land Management in its February 28, 2012 Decision Letter, hereby orders as follows:

A. The Board's Consolidated Order entered on December 2, 1999 in Cause No. 173-14 is hereby modified as follows:

(i) Findings of Fact No. 7 is modified to read as follows:

7. The Natural Buttes Unit is a federal exploratory unit administered by the BLM and unitizes the zones and intervals comprising the Wasatch Formation and Mesaverde Group, generally described as being from the base of the Green River Formation down to the top of the Mancos Shale.

(ii) Findings of Fact No. 9 is modified to read as follows:

9. The top of the Mancos formation is identified in the Natural Buttes Unit Agreement as:

[T]he stratigraphic equivalent of the correlation point established at the depth of 9,732 feet below K.B. (Kelly Bushing) in the Chapita Wells Unit #5 Well drilled by Belco Petroleum Corporation in the NE¼SW¼ of Section 22 in Township 9 South, Range 22, East, SLM, Uintah County, Utah.

The interval from the base of the Green River Formation down to the top of the Mancos Shale in the Unit Lands is referred to as the "**Unitized Interval.**" The Blackhawk Formation is within the Mesaverde Group, and the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale. The Unitized Interval is a commonly occurring

occurring section known throughout the Uintah Basin as a source of natural gas produced from channel sandstones.

B. Findings of Fact No. 5 of the Board's Order entered on October 5, 2009 in Cause No. 173-24 is hereby modified to read as follows:

5. The NBU was approved effective January 5, 1968 and unitized all oil and gas from the base of the Green River Formation, defined in the governing Unit Agreement as follows:

[T]he stratigraphic equivalent of the correlation point established at the depth of 4,822 feet below K.B. (Kelly Bushing) in the Ute Trail #10 Well drilled by DeKalb Petroleum Company in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 34 in Township 9 South, Range 21 East, SLM, Uintah County, Utah[,]

to the top of the Mancos Shale. The top of the Mancos Formation is defined in the governing Unit Agreement as follows:

[T]he stratigraphic equivalent of the correlation point established at the depth of 9,732 feet below K.B. (Kelly Bushing) in the Chapita Wells Unit #5 Well drilled by Belco Petroleum Corporation in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 22 in Township 9 South, Range 22 East, SLM, Uintah County, Utah.

The Blackhawk Formation is within the Mesaverde Group, and the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale. The depths between the base of the Green River Formation and the top of the Mancos Shale are hereinafter collectively referred to as the "Subject Formations."

C. The Board's Order entered in January 4, 2012 in Cause No. 173-25 is hereby modified as follows:

(i) Findings of Fact No. 4 is hereby modified to read as follows:

4. By Order entered in Cause No. 173-24 on October 5, 2009 (the "173-24 Order"), the Board modified the general well siting rule (Utah Admin. Code Rule R649-3-2) and the directional drilling rules (Utah Admin Code. Rules R649-3-10 and 11(1) and (2)) to provide for the drilling of wells to achieve the equivalent of an approximate 10-acre well density pattern for the production of gas and associated hydrocarbons from the Wasatch Formation and the Mesaverde Group, defined in said Order as:

The base of the Green River Formation, defined as the stratigraphic equivalent of the correlation point established at the depth of 4,822 feet below K.B. (Kelly Bushing) in the Ute Trail #10 Well drilled by DeKalb Petroleum Company in the NE¼SW¼ of Section 34 in Township 9 South, Range 21 East, SLM, Uintah County, Utah, to the top of the Mancos Shale.

The Blackhawk Formation is within the Mesaverde Group, and the Mesaverde Group lies stratigraphically below the base of the Green River Formation and above the Mancos Shale. The depths between the base of the Green River Formation and the top of the Mancos Shale are hereinafter collectively referred to as the "NBU Formations."

(ii) Findings of Fact No. 17 is hereby modified to read as follows:

17. There is likelihood that, if development of the NBU as expanded does not occur on an approximate 10-acre well density pattern as to the discontinuous sand bodies, particularly as to the NBU Formations, valuable resources will not be recovered.

For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2012.

**STATE OF UTAH  
BOARD OF OIL, GAS AND MINING**

By: \_\_\_\_\_  
James T. Jensen, Chairman

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